

1.941  
58 Ag 82  
The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

WASHINGTON, D. C.

BAE

AUGUST 1950

Prices generally continued upward in recent weeks but at a considerably slower pace than in July, the first month after the war in Korea began.

After jumping  $6\frac{1}{2}$  percent from mid-June to mid-July, the index of prices received by farmers advanced only  $1\frac{1}{2}$  percent from mid-July to mid-August. Sharp increases in cotton and cottonseed and higher prices for dairy and poultry products accounted for most of the gain in the index last month. Advances also were scored by rice, dry edible beans, wool and all meat animals except beef cattle. Declining were other grains, fruit, soybeans, flaxseed and potatoes.

Sharp increases in meat animal prices have accounted for nearly two-thirds of the rise in the average of prices received by farmers since January.

Prices paid by farmers including interest, taxes and wage rates scored another small advance from mid-July to mid-August. Largely responsible were higher prices for food, clothing, building materials and household furnishings. With prices paid and prices received up about equally, the parity ratio stayed at 103.

The advance in the wholesale price level lost momentum in August after going up an average of 1 percent a week during July. Scoring the largest advances in August were the textile, building materials and industrial products groups. Prices of farm and food products changed little.

During the July advance, farm and food products led the way with gains of more than 7 percent. Smaller increases were registered by other commodity groups.

During the rest of the year, the military program is not likely to interfere with the flow of goods to civilian markets to any important extent. Even steel will not be affected greatly since total military requirements will represent only 6 percent of capacity.

Chief market effect of the military program is likely to be a strengthening in demand as more overtime work and increased employment result in higher consumer income.

Industry continued to produce at near a record pace in July, even though many plants were shutdown for vacations. Spending for new construction continues a record. Nonfarm employment rose in July for the fifth straight month.

FARM INCOME In the first half of this year, farmers' received about 9 percent less from marketings than a year earlier. Price rises during July and August, however, pushed receipts for those months up to about same as a year earlier. During rest of 1950, receipts also are likely to compare favorably with last year. Total for year may be about  $27\frac{1}{2}$  billion dollars, only 2 percent below 1949. This would be a little higher than had been expected earlier.

LIVESTOCK AND MEAT Demand for meat has strengthened this spring and summer; is now much stronger than a year ago. Further strengthening this fall and winter is in prospect as defense program pushes consumer income still higher.

Greater demand this fall may offset part of effect of increased marketings of meat animals, but is not expected to prevent some price declines. Prices of hogs probably will go down but will be higher than last fall. Moderate reductions are in prospect for both grass and fed cattle.

DAIRY PRODUCTS Trend in wholesale milk prices received by farmers will be seasonally upward through rest of 1950. But not much change is expected in prices of milk for manufacturing. Though demand has increased some and production is being reduced, output still exceeds demand at support prices. Furthermore, USDA stocks of butter and cheese are available at prices slightly above support levels.

POULTRY AND EGGS Egg and poultry prices continued upward last month. In mid-August, eggs averaged 3.8 cents higher than in mid-July; chickens 2 cents higher, and turkeys 3.3 cents higher. Gains for eggs were more than seasonal. Chicken and turkey prices usually decline at this time of year.



FATS AND OILS Industrial demand for fats and oils will rise as military program steps up activity in our factories. Consumers probably will have more money to spend for fats and oils as well as other consumer goods. There also is the likelihood that more money will be invested in inventories of fats and oils because of the international situation. World supplies probably will increase slowly.

The situation points to higher prices for fats and oils in 1950-51 than in 1949-50.

FEEDS Demand for feed grains will be strong the rest of the year. Price supports for 1950 crops are expected to be slightly higher than last year for all except sorghum grains. This indicates a higher average price for feed grains the rest of this year than in same period of 1950.

WHEAT No. 2 Hard Winter wheat was only 5 cents below loan level on August 29. With heavy market movement of spring wheat yet to come, prices were only a cent below the loan on the same day. Price trends are expected to be gradually upward after the market movement slows down.

FRUITS AND VEGETABLES Output of deciduous fruit is smaller this year than last and demand is stronger. As a result, seasonal price declines this fall as harvesting reaches a peak probably will be less than the drops of last year.

Prices of fresh vegetables are expected to fall seasonally through September. Production prospects indicate ample supplies.

Since prices and acreage of processing crops of vegetables were set by contract several months ago, they have not been affected by the Korean situation. However, retail prices of canned and frozen vegetables probably will rise as consumer demand increases.

With another large potato crop this year, there is little prospect that growers' prices will rise above support levels the rest of the year. Purchases under price support program continue heavy.

COTTON AND WOOL Supply of cotton for 1950-51 season which began August 1 is expected to be a little less than 17 million bales, a fifth less than last season. This is only about 2 million bales more than 1950 total of domestic mill consumption and exports.

Spot cotton prices in mid-August were the second highest on record for the time of year.

Prices of United States wools are expected to stay strong for some time. Production this year will be about the same as the record low of 1949. Mill consumption is at a higher rate than last year. World consumption continues to exceed production.

TOBACCO Consumers are expected to spend a record amount for tobacco products during fiscal year 1950-51. With high employment and income in prospect, cigarette consumption probably will top all past peaks. Use of other tobacco products may increase over 1949-50.

Exports of tobacco leaf in 1950-51 are expected to be close to last year when they were the highest in 3 years.

